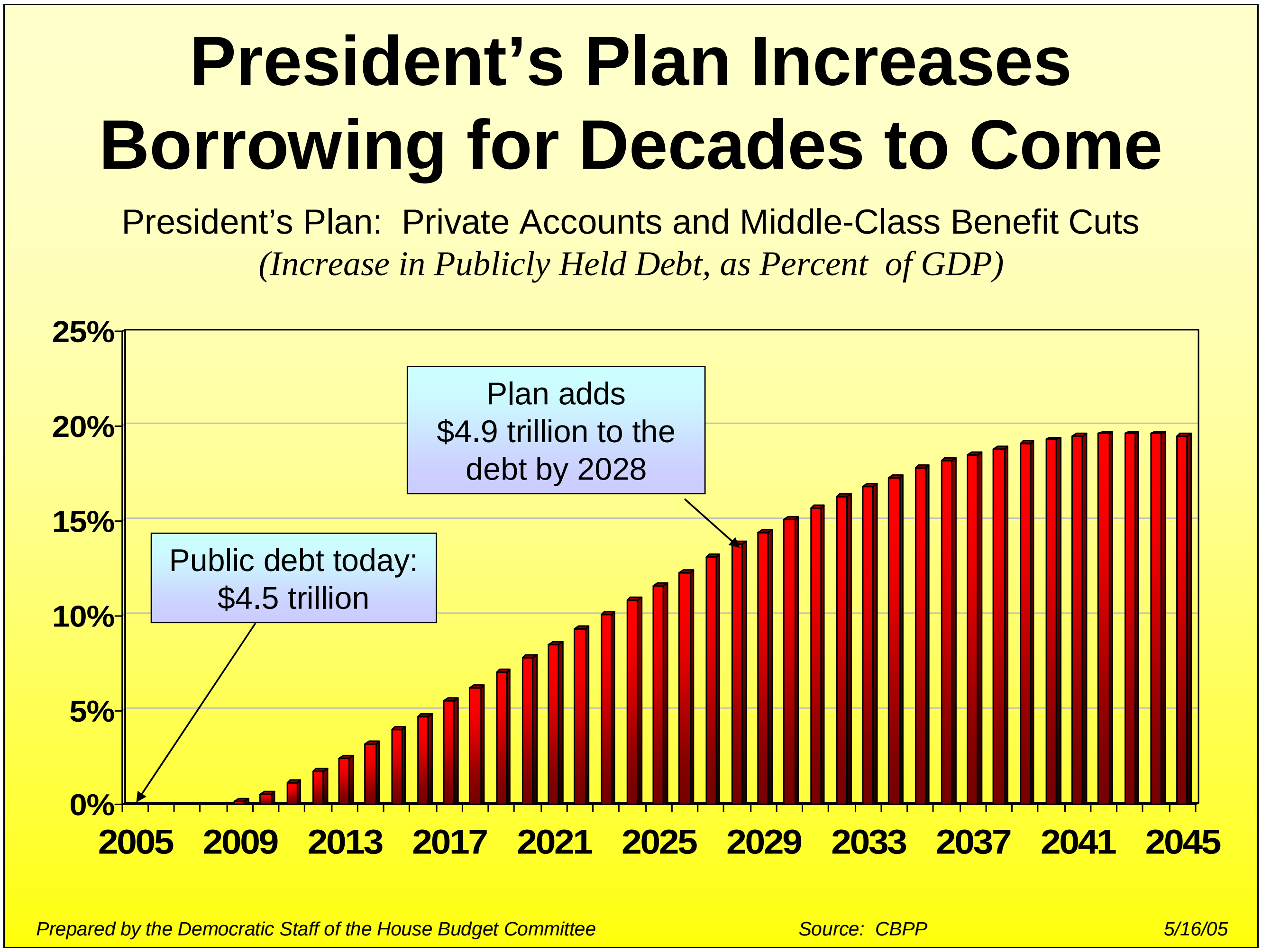
Privatization Means Massive Increase in Debt



The chart shows the impact on the publicly held debt of the three main features of the President's plan:

- divert up to one-third of payroll taxes into private accounts,
- levy a "privatization tax" on the Social Security benefits of account holders, and
- impose middle-class benefit cuts on the middle class that get steeper for each succeeding generation of workers and their families.

Private accounts, by themselves, do nothing to reduce the long-term budget challenges associated with the aging of the population. They simply make the budget situation worse. Even with significant benefit cuts, the government would borrow nearly $5 trillion over the first 20 years of the plan to pay Social Security benefits to current beneficiaries and to those who will start drawing benefits in the near future.

Even with the President's middle-class benefit cuts, the publicly held debt would be higher with the private accounts than without them FOR THE NEXT 60 YEARS. (Without the benefit cuts, the debt would be higher indefinitely.) Today's young workers, and their children, would pay close to $9 trillion (in 2005 dollars) in interest on that additional debt over those six decades – dollars that could go toward improving education, helping families pay for college, protecting the environment, tax relief for working families, and myriad other choices. Instead, those funds would go toward paying interest on the debt caused by the President's privatization plan, and those other choices would be foreclosed.